

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-09 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 /078 W
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FM AMEMBASSY BONN

TO SECSTATE WASHDC 5457

INFO USIA WASHDC

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, ECON

SUBJECT: CURRENT FRG MEDIA REACTION TO RECENT U.S.
ECONOMIC PROPOSALS

1. SUMMARY AND COMMENT: GERMAN PRINT AND ELECTRONIC MEDIA ARE COMMENTING IN CONSIDERABLE VOLUME ON RECENT U.S. ECONOMIC PROPOSALS. REACTION GENERALLY IS SKEPTICAL TO NEGATIVE, AND REFLECTS A COMMON CONCERN THAT THE AMERICAN PROPOSALS WOULD BRING MORE INFLATION. THIS IS BASED NOT ONLY ON WORRY THAT PRESENT STABILITY WOULD BE AFFECTED. UNDERLYING IS THE SPECTER OF THE 1920S, HISTORICALLY CLOSE ENOUGH TO GIVE GERMANS THE COLD CHILLS.

2. THE FRG MEDIA VIEW THE U.S. ECONOMIC PROPOSALS PREDOMINANTLY WITH SKEPTICISM. THEY ARE SEEN AS BEING IN CONFLICT WITH BONN'S QUEST FOR MONETARY STABILITY, A
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STABILITY THAT HAD BEEN "REGAINED AT GREAT SACRIFICE" AND "SHOULD NOT BE ABANDONED LIGHTLY." THERE WAS COMMENT THAT EVER SINCE THE MONETARY REFORM OF 1948 GERMAN ECONOMIC AND MONETARY POLICY HAD INCURRED FOREIGN CRITICISM AND ADVICE ON HOW TO DEAL WITH SUCH PROBLEMS. HAD THE GERMAN GOVERNMENT AND THE BUNDESBANK HEEDED THE ADVICE, HOWEVER, "THE FRG TODAY WOULD FIND

ITSELF IN THE SITUATION OF BRITAIN AND ITALY," ONE COMMENTATOR SAID.

3. THAT THE NEW U.S. ADMINISTRATION SEES IN THE FRG AND JAPAN ITS ECONOMICALLY STRONGEST PARTNERS WITH WHOM IT PLANS TO STIMULATE THE WORLD ECONOMY WAS PERCEIVED AS "AN HONOR," BUT ALSO AS RAISING A NUMBER OF PROBLEMS. IT WOULD ELEVATE THE FRG TOO MUCH VIS-A-VIS THE REMAINING COUNTRIES OF THE EUROPEAN COMMUNITY WHICH, IT WAS FELT, DID NOT NECESSARILY BENEFIT EUROPEAN INTEGRATION. ALSO, THE FRG MIGHT EASILY BE OVERTAXED. COMMENTARIES UNDERLINED THAT THE AMERICANS "OBVIOUSLY ENVISAGE EXERTING PRESSURE ON THE FRG AND JAPAN" TO EXPAND THEIR ECONOMIES IN ORDER TO PROVIDE STIMULUS FOR OTHER COUNTRIES. NOTHING WRONG WITH THAT, THE MEDIA SAID, BUT NOT AT THE RISK OF MORE INFLATION. IT WAS NOTED THE GERMAN SIDE HAS MADE IT CLEAR THAT EFFORTS TO STIMULATE GROWTH SHOULD NOT GIVE RISE TO INFLATION AND COMMENTARIES EMPHASIZED THAT THE BONN GOVERNMENT SEEMS TO BE DETERMINED TO ADHERE TO THAT POSITION. FOLLOWING CHANCELLOR SCHMIDT'S RECENT TALKS WITH FRENCH PREMIER GISCARD D'ESTAING, COMMENTATORS SAW PARIS VIEWING "WORLDWIDE ECONOMIC EXPANSION A LA CARTER JUST AS SKEPTICALLY AS BONN."

4. STRIKING A CONCILIATORY NOTE, THE COMMENTATOR OF A LEADING DAILY FOUND THE DIFFERENCES BETWEEN THE CARTER ADMINISTRATION AND THE BONN GOVERNMENT DID NOT JUSTIFY MUTUAL RECRIMINATION AND URGED THE FEDERAL GOVERNMENT

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TO REFRAIN FROM POLEMICS WHATEVER IT MAY THINK OF THE NEW U.S. ECONOMIC PROPOSALS. IT WAS ALSO NOTED THAT BONN'S ECONOMIC POLICY HAS FOUND A POWERFUL SUPPORTER IN FEDERAL RESERVE BOARD CHAIRMAN BURNS WHO WAS SEEN REJECTING PRESIDENT CARTER'S ECONOMIC POLICY PROGRAM BECAUSE IT "GIVES RISE TO INFLATION AND TO HIGHER INTEREST RATES."

5. THE EMPHASIS OF FRG MEDIA COMMENT FOR THE MOST PART WAS ON POINTING OUT THAT THE FRG WOULD BE ILL-ADVISED TO EXPAND ITS ECONOMY AT THE RISK OF MORE INFLATION. COOPERATION WITH EUROPE AND JAPAN WOULD NOT BE PROMOTED BY AMERICAN ATTEMPTS AT TELLING THEM WHAT TO DO NOR BY AN AMERICAN RELAPSE INTO PROTECTIONISM, IS THE THESIS. STOESEL

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Disposition Approved on Date:
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Disposition Event:
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